

INCENTIVES AND ASSISTANCE FOR REAL ESTATE REHABILITATION IN LYNCHBURG



A summary of financial incentives and assistance programs available for properties in Lynchburg to aid and encourage the renovation of real estate.

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INTRODUCTION

During the past few decades, thousands of property owners throughout the United States have discovered that it is often *less expensive* to rehabilitate an existing building than to demolish it and rebuild.

Recognizing the importance of Lynchburg's historic buildings to the tourism industry, as well as the importance of maintaining the city's tax base and providing decent housing for families of all income levels, many government and non-profit agencies have developed programs to encourage building maintenance and rehabilitation.

This brochure summarizes the major programs that are currently available at the city, state and federal levels for renovating and maintaining buildings—both residential and commercial—within the City of Lynchburg.

You may find it to your advantage to apply for more than one incentive program. For a building located in one of the City's historic districts, for example, you might qualify for State and Federal Tax Credits as well as for Real Estate Tax Relief.

Please Note

This brochure provides only a *brief summary* of the numerous programs available. Since a program may change or may be discontinued at any time, it is important that you obtain detailed, up-to-date information directly from the agency offering a program you are considering utilizing (see *Sources for More Information* at the end of this brochure).

PROGRAMS

State and Federal Tax Credits

Since 1976, the Federal Historic Rehabilitation Tax Credit program has provided a generous incentive for the rehabilitation of income-producing historic buildings—including rental property. The additional incentive offered by the Virginia Historic Rehabilitation Tax Credit program, introduced in 1997, has produced a substantial increase in the number of buildings being rehabilitated in Virginia.

Together, the two tax credit programs have supported the rehab of approximately 740 historic buildings in Virginia through 1999, generating about \$330 million in private investment and restoring hundreds of significant buildings to productive use.

The Virginia Tax Credit program extends financial incentives to many more properties than the federal program because *non-income-producing properties can qualify for the state program*. The investment threshold is lower than the minimum set by the federal program, and the application process for the Virginia program is simpler, since there is no federal-level review.

To qualify for either program, a building must be a “certified historic structure,” which generally means it must be (1) listed on the National Register of Historic Places, (2) located within a registered historic district or (3) eligible for listing on the National Register. The rehabilitation work must follow *The Secretary of the Interior’s Standards for Rehabilitation*. These standards are common-sense guidelines designed to permit necessary changes to a historic property, while preserving certain materials and features that give a building historic significance. A non-refundable application fee is charged for both programs.

The tax credit for both programs is calculated as a percentage of the eligible rehabilitation expenses. The federal program provides a 20% credit for income-producing property only and the state program provides a 25% credit for any historic property. Projects may qualify for both federal and state credits, yielding a potential combined tax credit of 45% of eligible rehab expenses.

The federal program also provides a tax credit for *non-historic buildings* constructed prior to 1936. This program applies only to commercial buildings—not rental property—and provides a credit of 10% of eligible rehab expenses. There is no comparable state program.

NOTE: It is important to file an application for either of these programs *before* starting work.

The state and federal programs are both administered by the Virginia Dept. of Historic Resources. For more information about these programs, please contact the City’s Community Planning & Development office or the Virginia Dept. of Historic Resources in Richmond (see *Sources* on page 13).

Real Estate Tax Relief

For many years, property owners complained that it was not worth rehabilitating old buildings because the city would immediately reassess the building and raise the real estate taxes. Approved in 1982, City Ordinance Section 36-177 provides valuable tax relief for substantially renovated commercial, industrial or residential real estate. The amount of real estate tax relief is equal to the increase in assessed value resulting from the rehabilitation. This relief applies for 10 years for a residential building having up to five living units. For residential structures having five or more units and for commercial and industrial buildings, the tax relief applies for 5 years. A building does not have to be in a historic district to qualify and does not have to be income-producing, but it must meet the following criteria:

- ◆ The building must be at least 25 years old.
- ◆ Residential buildings must be improved so as to increase their assessed value by at least 40% (at least 20% for multi-family buildings having five or more units), but without increasing their square footage by more than 15%.
- ◆ Commercial and industrial buildings must be improved so as to increase their assessed value by at least 60%, but without increasing their square footage by more than 15%.
- ◆ The improvements must be completed within two years from the date of application.

NOTE: It is important to file an application for tax relief with the City Assessor's Office *before* starting work. Two appraisers from the Assessor's Office inspect the building before work begins, to determine the base value of the structure. When work is completed, the applicant notifies the Assessor's Office in writing and appraisers inspect the property again. The increase in assessed value becomes the amount of real estate tax exemption.

Additional information concerning real estate tax relief for substantially renovated buildings is available from the City Assessor's Office or by consulting Lynchburg City Code Section 36-177 on the Internet or at the Lynchburg Public Library (see *Sources* on page 13).

Enterprise Zone Program

A business considering renovation, expansion or new construction of a commercial or industrial building in Lynchburg should check to see if it is located in one of the City's two Enterprise Zones where numerous incentives for investment are available. Zone I includes the Central Business District, the Lower Basin, the Fifth Street Corridor, several inner city neighborhoods and the industrial land between Carroll and Campbell Avenues. Zone II, known as Lynchpin Industrial Park, is located between Wiggington Road and Lakeside Drive on the City's western boundary.

Incentives offered by the City in these Enterprise Zones include real estate tax relief (see page 3), business and professional license tax refunds, machinery and tools tax refunds, extended payment of sewer and water charges, utility line improvements and a low-interest loan pool. Incentives offered by the State of Virginia include tax credits for real property improvement, state income tax relief, investment tax credits and job grants.

NOTE: Application for Enterprise Zone incentives should be made as early as possible, since funds are limited to annual appropriations. Deadlines must be strictly followed, and late applications will not be considered.

For information about the Enterprise Zone Program, please contact the City's Community Planning & Development office (see *Sources* on page 13).

Downtown Façade-Improvement Program

This program, funded by the City of Lynchburg, partially reimburses property owners for improving the façades of their buildings. To be eligible, buildings must be at least 50 years old and must be located in the Central Business District (CBD). Funds are also available under this program for professional design assistance and for appropriate signage, fencing and gabled roofs.

Façade designs must be approved by the Design Review Board. Designated historic landmarks must also receive the approval of the Board of Historic & Architectural Review. City staff will assist property owners with these processes.

The following limits apply to approved projects:

- ◆ Façade improvements: 30% of total cost of façade improvements, including gable roofs that are visible from street level (maximum \$25,000)

- ◆ Fencing: 50% of total cost of new or restored fencing (maximum \$5000)
- ◆ Signage: 50% of total cost of new or restored signage (maximum \$2000)
- ◆ Design: 50% of total cost of licensed architect's design fees (maximum \$2000)

The maximum grants listed above apply to each building (or each lot, in the case of fencing), regardless of the number of entrances or mailing addresses. Physical work on the project must begin within 90 days of the date funding is approved and must be completed within six months. If the work is not completed within that time limit, the owners can reapply.

NOTE: It is important to apply for this program and receive approval before work starts, since funds must be reserved in advance. Funds are appropriated on a first-come, first-served basis.

For more information about the Downtown Façade-Improvement Program, please contact the City's Community Planning & Development office (see *Sources* on page 13).

Owner-Occupied Home Repairs Program

Administered by the Lynchburg Neighborhood Development Foundation (LNDF), this grant program assists low-income home owners whose homes are suffering from deterioration or damage. The program is funded by annual grants from the Federal Home Loan Bank of Atlanta.

Licensed contractors provide estimates for the repairs and do the work required. Limited funds are available per house and the repairs must not exceed the assessed value of the house. Applications are evaluated on the basis of health, safety, efficiency and the existence of mortgages on the property. LNDF executes a deed of trust to assure that the homeowner will live in the house for at least

five years. Only homeowners who meet HUD's low-income guidelines are eligible.

LNDF also offers a lead-abatement program to assist homeowners in removing hazardous lead paint from their homes.

For more information about these programs, please contact the Lynchburg Neighborhood Development Foundation (see *Sources* on page 13).

Homesteading Program

The Homesteading Program, administered by the Lynchburg Redevelopment & Housing Authority, gives would-be homeowners the opportunity to obtain a seriously deteriorated house *for only one dollar*. In return, the new owners commit to the following:

- ◆ To correct defects identified as health or safety hazards within one year.
- ◆ To rehabilitate the building within three years to meet the Authority's Housing Quality Standards and obtain a Certificate of Occupancy.
- ◆ To occupy the property as their principal residence for not less than five years and maintain the property in good condition.
- ◆ To permit reasonable inspections of the premises by the Authority and by the City of Lynchburg.
- ◆ To surrender the property if they breach the agreement or default on rehabilitation financing.
- ◆ To obtain the required approvals for all plans for exterior work.

The buildings that are available under the Homesteading Program are **not habitable** and need **major repair work**. All exterior work must comply with *The Secretary of the Interior's Standards for Rehabilitation*. Plans for the exterior renovation will be reviewed by the City's Dept. of Community Planning & Development and

must be approved by the Board of Historic & Architectural Review.

The Housing Authority will also consider proposals from investors who want to rehabilitate a property for resale to a purchaser who will occupy the property as his/her principal residence for a minimum of five years. However, proposals submitted by proposed owner-occupants will be given priority over those submitted by investors.

NOTE: Those considering submitting an application for the Homesteading Program should also consider applying for other programs described in this publication which could make the project more economically feasible.

For more information about the Homesteading Program, please contact the Lynchburg Redevelopment & Housing Authority (see *Sources* on page 13).

Lyn-CAG Programs

Lynchburg Community Action Group, Inc. (Lyn-CAG) is a private non-profit organization whose programs target low-income and moderate-income families and individuals. Several of the Agency's programs provide assistance with housing rehabilitation or repairs, as follows:

The **Homeowner Rehabilitation Program** provides grants for substantial rehabilitation of homes of low-income families at an average cost of \$25,000. An average of five homes per year are rehabilitated under this program.

The **Housing Improvement Program** provides repairs and moderate rehab for homes of eligible low-income homeowners. Grants average \$5000 per home and serve up to 25 low-income families and individuals each year.

The **Weatherization Program** provides energy-conservation services and health and safety measures for homes of low-income individuals and families. Community Development Block Grant funds are used for labor and to leverage funds from several other sources. Forty homes per year are improved at an average cost of \$2000 in materials. The service is provided as grants to eligible low-income households.

The **Home Ownership Opportunity Program** is funded by HOME (a program of the U.S. Dept. of Housing & Urban Development). Under this program, the Agency acquires vacant houses in inner-city neighborhoods and rehabilitates them for sale to first-time, low-income home buyers. These rehabs currently average one per year.

The **Housing Counseling Service** provides a variety of counseling and support services to eligible homeowners and renters. Clients may receive mortgage or rental assistance in the form of a grant or loan. The clients' Self-Sufficiency Plan governs specific assistance. An average of 75 clients are served each year.

The **Neighborhood Assistance Program** provides paint for low-income homeowners who can supply their own labor. Both interior and exterior paints are available, but in a limited selection of colors.

For more information about these programs, please contact the Lynchburg Community Action Group (see *Sources* on page 13).

Housing Stabilization Program

The Housing Stabilization Program is a matching-grant program managed by the City's Inspections Division and is funded by Community Development Block Grants. The program is intended to help low-income property owners make housing repairs and install smoke detectors in order to meet minimum maintenance requirements.

To qualify for reimbursement for repair expenses, applicants must apply for the program and receive approval before starting work, since the amount of funds available is limited. The following types of assistance are available:

- ◆ **Painting:** The program will reimburse participants for up to five (5) gallons of paint after verification that ten (10) gallons of paint have been applied.
- ◆ **Fascia Repairs:** The program will reimburse the applicant \$100 after verification that the applicant has spent over \$200 for fascia repairs.
- ◆ **Soffit Repairs:** The program will reimburse the applicant \$100 after verification that the applicant has spent over \$200 for soffit repairs.
- ◆ **Smoke Detectors:** The program will provide smoke detectors when an inspection shows that one does not exist in a home or apartment.

For more information about the Housing Stabilization Program, please contact the City's Inspections Division (see *Sources* on page 13).

Repair-Assistance Program

The Lynchburg Historical Foundation, Inc. (LHF) established its Repair-Assistance Program to aid low-income and moderate-income homeowners living in Lynchburg's historic districts with rehabilitation expenses. These grants are payable to the supplier of the renovation materials, not to the grant applicant. The maximum grant available is \$1000 and the LHF must purchase the materials from the lowest bidder.

The LHF will consider making grants for renovations outside the historic districts, based on the age and historic merit of the building.

If the property is located in a historic district, a Certificate of Appropriateness (COA) must be obtained from the Board of Historic & Architectural Review and a Building Permit (if required) from the city's Inspections Division. If the property is not located within a historic district, the LHF reserves the right to specify the materials and colors to be used.

For a complete description of this program, please contact the Lynchburg Historical Foundation, Inc. (see *Sources* on page 13).

Preservation Easements

Owners of historic properties listed on the Virginia Landmarks Register or located in listed historic districts may be able to realize federal, state and local tax benefits by granting easements on their property to a non-profit organization. An easement is a voluntary transfer of some of the rights inherent in property ownership, such as the right to modify the building or to use adjacent space in a way that might compromise the historic character and integrity of the site.

In Virginia, easements for historic structures may be accepted by the Virginia Department of Historic Resources in Richmond. Each easement is negotiated on an individual basis with the property owner. Restrictions granted by easements pass with title of the property to new owners to protect the property in perpetuity. Most easements held by the Board include some provision for opening the property to the public on a very limited basis.

Although many donors grant preservation easements to assure that their property will be permanently protected from willful destruction, demolition, dismantling or other inappropriate treatment, they may be able to realize certain benefits that accompany such a donation:

- ◆ The value of the easement, as determined by a qualified appraisal, can be claimed as a charitable donation that is

deductible from your taxable income. A recent tax-law revision provides a state income tax credit of 50% of the appraised value of the easement, subject to certain phase-in limitations.

- ◆ In many cases, donation of an easement will substantially reduce your estate taxes.
- ◆ The easement can create favorable consequences for local property taxes, since the local tax assessor is required by law to take the easement into account when assessing property.
- ◆ By accepting an easement, the Commonwealth has made a commitment to the preservation of the property and the technical advice and assistance of the staff of the Dept. of Historic Resources will be made available to you. The staff can provide literature on preservation techniques, consultants, contractors and other professionals experienced in working with historic buildings and can answer questions on an individual basis.

For more information about easements for historic properties, please contact the Virginia Dept. of Historic Resources in Richmond (see *Sources* on page 13).

SOURCES FOR MORE INFORMATION

City of Lynchburg, 900 Church St., Lynchburg, VA 24504 (804) 856-2489

- ◆ Community Planning & Development, City Hall, 2nd Floor (804) 847-1508
- ◆ Inspections Division, City Hall, 2nd Floor (804) 847-1572
- ◆ City Assessor’s Office, City Hall, 1st Floor (804) 847-1510
- ◆ Internet access to Lynchburg City Code www.ci.lynchburg.va.us
At the home page, select “Council/Manager,” then select “View Lynchburg City Code” and finally select either “By Title” or “By Chapter Number.”

Lynchburg Community Action Group
926 Commerce Street, Lynchburg, VA 24504 (804) 846-2778

Lynchburg Historical Foundation, 325 12th St., Lynchburg 24504 (804) 528-5353

Lynchburg Neighborhood Development Foundation
927 Church Street, Lynchburg, VA 24504 (804) 846-6964

Lynchburg Public Library

- ◆ Main Library: 2315 Memorial Avenue, Lynchburg, VA 24501 (804) 847-1565
- ◆ Downtown Branch: City Hall, 900 Main Street, Lynchburg 24504 (804) 847-1768

Lynchburg Redevelopment & Housing Authority
11th & Court Streets, Lynchburg, VA 24504 (804) 845-9011

Virginia Dept. of Historic Resources

- ◆ Headquarters: 2801 Kensington Ave., Richmond, VA 23221 (804) 367-2323
- ◆ Regional Office: 19B Bollingbrook St., Petersburg, VA 23803 (804) 863-1626



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